

Message Text

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ACTION NEA-12

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 ISO-00 SCI-06 SCEM-02

INT-08 COME-00 EB-11 TRSE-00 OMB-01 DRC-01 IO-14

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

RSC-01 PRS-01 SPC-03 SS-20 ACDA-19 CIEP-02 /197 W

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R 131304Z NOV 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 8090

INFO AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

USMISSION OECD PARIS

USINT ALGIERS

S E C R E T KUWAIT 4028

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG EFIN PFOR KU

SUBJ: KUWAITI VIEWS ON CURRENT OIL ISSUES

SUMMARY: SENIOR GOK OIL OFFICIAL HAS EXPRESSED VIEWS ON WIDE
RANGE CURRENT OIL ISSUES AND INDICATED TIME PROBABLY AT HAND WHEN

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ARAB OIL EXPORTING COUNTRIES WOULD BE WELL ADVISED LET-UP SOME-

WHAT ON OIL WEAPON. OFFICIAL INDICATED HE BELIEVES ARABS WILL BE WILLING EASE EMBARGOES AND PRODUCTION CUTS AS SOON AS SOME REASONABLE PROGRESS ON ARAB-ISRAEL ISSUE HAD BEEN REACHED AND HE CRITICIZED SAG FOR TAKING EXTREME POSITION. GOK OFFICIAL PREDICTED SURPRISES IN STORE ON PRICES AT VIENNA OPEC MEETING LATER THIS MONTH AND INDICATED POSSIBLE INTEREST IN OPEC BRIEFING FOR OECD OR OTHER APPROPRIATE CONSUMER REP, BUT KUWAITI OFFICIAL DID NOT WANT ELIMINATE ROLE OF COMPANIES. ON PARTICIPATION OFFICIAL PREDICTED GOOD AGREEMENT BEFORE END OF YEAR. END SUMMARY

1. EMBOFF HAD OPPORTUNITY NOV 12 DISCUSS MAJOR CURRENT OIL POLICY ISSUES WITH SENIOR KUWAIT MINISTRY FINANCE AND OIL OFFICIAL. WHILE VIEWS EXPRESSED WERE HIS OWN, WE BELIEVE THEY PROBABLY REPRESENT GENERAL VIEWS OF ATIQI AND OTHER SENIOR GOK OFFICIALS. GOK OFFICIAL WAS FRIENDLY AND NEITHER THREATENING NOR SMUG DURING CONVERSATION.

2. ON ARAB OIL EMBARGOES AND PRODUCTION CUTS OFFICIAL SAID HE BELIEVES TIME HAS COME FOR ARABS TO EASE-UP ON THIS APPROACH. HE THINKS ARABS HAVE NOW COMMUNICATED THEIR MESSAGE AND WORLD RECOGNIZES ARABS' CONCERNS. HE FEELS THAT FROM HERE ON CURRENT TACK LIKELY BE COUNTER-PRODUCTIVE IN TERMS PUBLIC AND POLITICAL REACTIONS. OFFICIAL INDICATED HE BELIEVES ARABS WILL BE WILLING EASE EMBARGOES AND PRODUCTION CUTS AS SOON AS SOME REASONABLE PROGRESS ON ARAB-ISRAEL ISSUE HAD BEEN REACHED AND HE CRITICIZED SAG FOR TAKING EXTREME POSITION. HE ALSO SAID KUWAIT NOT INTERESTED IN APPLYING OIL AS WEAPON IN OTHER AREAS SUCH AS AGAINST SOUTH AFRICA. HE CLAIMED SYRIA AND EGYPT OWED AFRICANS FAVORS AND NOT RPT NOT KUWAIT AND OTHER OIL PRODUCERS.

3. IN CONTRAST TO MODERATE TONE ON PRODUCTION, GOK OFFICIAL PREDUCTED SURPRISES IN STORE AT OPEC PRICE MEETING IN VIENNA NOV 16-17. HE DID NOT ELABORATE. HE INDICATED OPEC STATES AND COMPANIES WOULD DISCUSS NEW PRICING PLAN AND SPECIAL FEATURES AND PROBLEMS ASSOCIATED WITH USING REALIZED PRICE AS BASIC MEASURE. ON PRICES IN GENERAL, OFFICIAL SAID HE ANTICIPATES FAIRLY CONTINUAL RISE IN PRICES UNTIL EARLY 1980S AND WHEN PRICE SHOULD BE \$10-12 PER BARREL. BY THEN ALTERNATIVE ENERGY SOURCES WILL BE AVAILABLE AND HE FORESEES GRADUAL DROP IN PRICES TO \$4-5 THEREAFTER.

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4. EMBOFF SUGGESTED RAPID PRICE RISE WILL TRIGGER CONCERTED ACTION AMONG CONSUMERS, BUT GOK OFFICIAL SAID THIS ALREADY IN TRAIN AS RESULT EMBARGOES AND PRODUCTION CUTS. OFFICIAL RESTATED GOK POSITION THAT EVENTUALLY PRODUCERS AND CONSUMERS WILL HAVE TO DEAL DIRECTLY BUT HE ALSO SAID GOK WILL WANT PRESERVE ROLE OF COMPANIES SO THAT GOK WILL NOT HAVE TO BECOME INVOLVED WITH HOST OF ECONOMIC AND POLITICAL PROBLEMS ENTAILED IN DEALING

DIRECTLY WITH THIRD WORLD CONSUMERS. OFFICIAL SAID THOUGHT BEING GIVEN TO INVITING OECD OFFICIALS OR OTHER APPROPRIATE CONSUMER REPS TO OPEC FOR BRIEFINGS ON MID-NOVEMBER PRICE MEETINGS. NOT CLEAR HOW FIRM SUCH PLANS WERE OR WHETHER OTHER OPEC MEMBERS WENT ALONG WITH IDEA.

5. ON KOC PARTICIPATION OFFICIAL CONFIRMED NEGOTIATIONS CONTINUING. HE ANTICIPATES "GOOD" AGREEMENT BEFORE END OF YEAR. OTHERWISE, HE SAID, GOK WILL HAVE NO CHOICE BUT TO TAKE OVER KOC SINCE "WE HAVE BURNED ALL OUR BRIDGES". OFFICIAL ADDED, HOWEVER, THAT COMPANIES HAVE COME LONG WAY IN PAST MONTH AND OVERALL HE SEEMED CONFIDENT MUTUALLY AGREEABLE ARRANGEMENT CAN BE WORKED OUT.

6. COMMENT: EMBOFF GOT IMPRESSION OFFICIAL AND PROBABLY OTHERS IN GOK NOT AS EXORCISED AS SAG OVER CURRENT ARAB-ISRAEL POLITICAL ISSUES AND WERE BECOMING BIT WEARY OF CENTRAL POLITICAL ROLE USE OF OIL WEAPON HAS PLACED GOK IN. THESE KUWAITIS WANT GET BACK TO BUSINESS AS USUAL WHICH INCLUDES PRICE AND PARTICIPATION NEGOTIATIONS BUT NOT RPT NOT POLICIAL MANEUVERINGS.
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